

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking Regarding Policies,)
Procedures and Incentives for Distributed) Rulemaking 04-03-017
Generation and Distributed Energy Resources)
_____)

**RESPONSE OF STARWOOD HOTELS AND RESORTS WORLDWIDE, INC. IN
SUPPORT OF
FUEL CELL ENERGY INC.'S PETITION FOR MODIFICATION
OF DECISION 04-12-045**

Pursuant to Rule 16.4(f) of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure, Starwood Hotels and Resorts Worldwide, Inc. (hereafter "Starwood") submits this Response in support of Fuel Cell Energy Inc.'s ("FCE's") petition for modification of Decision 04-12-045 ("Petition").

In support of its core businesses and in partnership with FuelCell Energy, Starwood develops distributed generation ("DG") projects for installation at our brand name hotels throughout the State of California, including the Sheraton and Westin. Starwood supports FCE's request to increase the limit of incentive payments available under the Self-Generation Incentive Program ("SGIP") from the current cap of 1 MW to 3 MW.

- An increase in the incentive cap is necessary to continue cost-effective development of larger scaled fuel cell projects at hotels and other host facilities.
- An increase in the incentive cap would allow larger users of electrical and thermal energy, such as hotels to implement high electrical efficiency fuel cell projects that utilize less fuel and reduce electrical demand on the distribution system.
- An increase in the incentive cap will allow those entities voluntarily reducing their carbon footprint ahead of AB32 implementation, to implement high electrical efficiency fuel cell projects that reduce overall carbon footprint by generating electricity and heat more efficiently than traditional means.

For these and other obvious benefits to hosts and ratepayers associated with generating electricity and thermal energy using high efficiency and ultra low emission fuel cell technology, there is clear justification to increase the SGIP incentive cap from 1 to 3 MW.

I. Introduction

Starwood continues to have an active interest in achieving the goals and objectives of the SGIP program by implementing fuel cell projects at its sites in California. Starwood agrees that increasing the SGIP incentive cap from 1 to 3 MW would provide new impetus to develop larger distributed generation (“DG”) applications and help encourage further innovation and expansion of DG applications at a time when the state truly needs new sources of distributed energy and the most efficient use of natural resources widely used in the State.

II. The SGIP Program effectively encourages small DG technologies but does provide effective support for larger scaled DG technologies.

Starwood’s participation in fuel cell projects has grown steadily in both generation capacity and number of active projects. Following success of its pilot project (250 kW), Starwood has increased its fuel cell deployment in both generation capacity and number of active projects, with 2.0 MW in three locations in CA and a total of 2.75 MW in six locations in the US.

While the SGIP program has been successful for these initial projects, Starwood’s increased focus on obtaining higher efficiency generation and lower emissions at its large

scale hotels and resorts in CA demonstrates a market need for larger sized generation, and therefore a clear need for the increase of the incentive cap from 1 MW to 3 MW.

III. Benefits to the State of California, ratepayers and the public in general.

The intent of the SGIP is the production of sizeable public benefits in the form of electrical peak demand reduction, reduced emissions and an overall increase in the efficient use of self generation technologies. By enabling larger scale projects to receive commensurate incentives under the SGIP program, the Commission will be taking the next step toward encouraging new markets for the fuel cell industry in particular and taking larger steps towards a demonstrable contribution to peak demand reduction.

Among participating energy projects, fuel cells have further demonstrated measurable efficacy in their ability to simultaneously deliver continuous 24-hour environmental benefits along with peak demand reductions. Again, this demonstrated benefit has so far only been exploited with respect to projects that can be economically developed under the 1 MW cap. Increasing the incentive cap will introduce commensurate benefits from larger scaled projects.

IV. The benefits associated with projects under SGIP accrue to the State and ratepayers regardless of project size, however, larger projects provide a larger benefit in a shorter time.

The aggregation of three 1 MW fuel cell projects provide the same overall benefits, e.g., demand reduction, emissions reduction, etc., that one 3 MW project will provide.

However, the actual time and resources required to develop each of these projects are virtually the same, regardless of the difference in capacity. With the increase in the SGIP cap and the ensuing larger projects that will be developed, the State and ratepayers can effectively enjoy a three fold increase in project benefits with every project closed.

Limiting the project size to 3 MW will still provide for an equitable share of SGIP funds across different projects, municipalities and customers, however, it balances the market's need for larger projects and increased financial support from SGIP program.

In conclusion, Starwood strongly recommends an increase in the SGIP MW limit to at least 3 MW's.

Dated: August 29, 2007

Respectfully submitted,

/s/

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PROOF OF SERVICE

I declare that:

I am employed in the County of Sacramento, State of California. I am over the age of eighteen years and am not a party to the within action. My business address is ELLISON, SCHNEIDER & HARRIS; 2015 H Street; Sacramento, California 95814-3109; telephone (916) 447-2166.

On August 29, 2007, I served the attached *Response of Starwood Hotels and Resorts Worldwide, Inc. in Support of Fuel Cell Energy Inc.'s Petition for Modification of Decision 04-12-045* by electronic mail or, if no e-mail address was provided, by United States mail at Sacramento, California, addressed to each person shown on the attached service list.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on August 29, 2007, at Sacramento, California.

/s/
Karen A. Mitchell

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